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Pro Se Claimant and

Party to California Public Utilities Commission Proceeding I.19-09-016 to Consider the Ratemaking and Other Implications of a Proposed Plan for Resolution of Voluntary Case filed by Pacific Gas and Electric Company, pursuant to Chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court, Northern District of California, San Francisco Division, In re Pacific Gas and Electric Corporation and Pacific Gas and Electric Company, Case No. 19- 30088.

Party to California Public Utilities Commission Proceeding I.15-08-019 to Determine whether Pacific Gas and Electric Company and PG&E's Corporation's Organizational Culture and Governance Prioritizes Safety

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

PG&E CORPORATION,

-and-

PACIFIC GAS AND ELECTRIC
COMPANY,

Debtors.

- ☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric Company
☒ Affects both Debtors

** All papers shall be filed in the lead case,
No. 19-30088 (DM)*

Bankr. Case No. 19-30088 (DM)
Chapter 11
(Lead Case)
(Jointly Administrated)

**WILLIAM B. ABRAMS OBJECTION
TO DEBTORS' MOTION FOR ENTRY
OF AN ORDER (I) APPROVING
TERMS OF, AND DEBTORS' ENTRY
INTO AND PERFORMANCE UNDER,
AMENDED EQUITY BACKSTOP
COMMITMENT DOCUMENTS AND
(II) AUTHORIZING INCURRENCE,
PAYMENT AND ALLOWANCE OF
RELATED PREMIUMS AS
ADMINISTRATIVE EXPENSE
CLAIMS PURSUANT TO U.S.C. §§
1129(A)(8) AND §§ 1129 (B) [DKT. 7848]**

Hearing: Telephonic Appearances Only

Date: June 16, 2020

Time: 10am PT

Place: Courtroom 17, 450 Golden Gate Ave., 16th
Floor, San Francisco, CA, 94102

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2. “*The Debtors’ Motion for Entry of an Order (I) approving terms of, and Debtors’ entry into and performance under, amended equity backstop commitment documents and (II) authorizing incurrence, payment and allowance of related premiums as administrative expense claims*” [Dkt. 7848] (“**Backstop Amendment Motion**”) undermines the value of the victims’ trust. The disproportionate treatment of claimant classes exhibited in the Debtors’ motion also undermines the feasibility of the plan in that it violates Section 1129(a)(8) which requires a class not to be “impaired under the plan” and Section 1129(b) which requires a plan to be “fair and equitable, with respect to each class.” Further compounding these issues, when the Debtors’ Backstop Motion is viewed in the context of the victims’ registration rights agreement it ensures manifestly unjust outcomes. Therefore, the Backstop Amendment Motion must be amended to ensure that the value of the victim trust is not undermined beyond what has already been accomplished by the Debtors through the plan of reorganization and the associated registration rights agreement.

3. **PLEASE TAKE NOTICE** that the “*PARTIES’ JOINT STIPULATION REGARDING THE REGISTRATION RIGHTS AGREEMENT AND RELATED AGREEMENTS OF THE FIRE VICTIM TRUST*” [Dkt. 7913] filed on June 12, 2020 indicated that “The TCC will not object to the Backstop Amendment Motion.”¹ This stipulation was unwarranted and ill-timed given that the Backstop Amendment Motion undermines the efficacy of the registration rights agreement to provide recovery for victims through stock sales.

¹ See “PARTIES’ JOINT STIPULATION REGARDING THE REGISTRATION RIGHTS AGREEMENT AND RELATED AGREEMENTS OF THE FIRE VICTIM TRUST”, page 4, line 6

1 4. **PLEASE TAKE FURTHER NOTICE** that the Backstop Amendment Motion
2 indicates that the equity backstop commitment will have “*no impact on the **percentage** of New*
3 *HoldCo Common Stock that will be owned by the Fire Victims.*”² However, the Backstop
4 Amendment Motion makes no such assertion regarding the **value** of the Victims’ stock which of
5 course is the only measure that matters. No such assertion could be made in the Debtors’ motion
6 because these backstop commitments will in fact drive down the value of the victims’ shares.
7 Therefore, the Debtors’ statement that these backstop commitments are in the “*best interest of their*
8 *estates and all stakeholders*” is categorically false to the extent that the Debtors consider victim
9 claimants also stakeholders in the plan.³

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11 5. **PLEASE TAKE FURTHER NOTICE** that calling these equity commitments
12 “backstops” is now largely inaccurate. Consider that the Backstop Amendment Motion indicates that
13 the need to draw on the backstop is “inevitable.”⁴ Furthermore, the Backstop Amendment eliminates
14 critical ingredients to the equity offering that protect victims such as striking the provision that “*at*
15 *least 80% of the aggregate cash proceeds are raised through a rights offering to holders of shares of*
16 *common stock of PG&E Corp.*”⁵ So, it is clear that what has been characterized as “backstops” is
17 really a primary vehicle to fund this plan. Therefore, the discounting and under-market offerings
18 associated with these transactions constitutes a significant undermining of the feasibility of the plan.
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20 6. **PLEASE TAKE FURTHER NOTICE** that the Backstop Amendment Motion
21 indicates that “the Debtors have also reached an agreement with five institutional investors for the
22 sale of \$3.25 billion of New HoldCo Common Stock in a private investment in the public equity
23 transaction (the “**PIPE**”).”⁶ However, the motion fails to mention that this stock offering was made
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25 ² See “DEBTORS’ MOTION FOR ENTRY OF AN ORDER (I) APPROVING TERMS OF, AND DEBTORS’ ENTRY INTO
26 AND PERFORMANCE UNDER, AMENDED EQUITY BACKSTOP COMMITMENT DOCUMENTS AND (II)
27 AUTHORIZING INCURRENCE, PAYMENT AND ALLOWANCE OF RELATED PREMIUMS AS ADMINISTRATIVE
28 EXPENSE CLAIMS” page 2, (lines 15-16), page 8 (lines 20-22), page 20 (lines 19-23)

³ *Id.* page 2, (line 7)

⁴ *Id.* page 10, (line 26)

⁵ *Id.* page 15, (line 14-17)

⁶ *Id.* page 8, (lines 14-16)

1 at a substantial “**16% discount**” and that investors will pay “**up to a price of \$10.50 a share**”.⁷ This
2 discounted sale to investors including Appaloosa, Third Point LLC, Fidelity Management and
3 Research Co. LLC and Zimmer Partners precipitated a (6.2%) drop in the value of the shares.
4 Victims can expect these same types of drops in the value of their shares in subsequent discounted
5 offerings thus undermining the value of the victims’ shares exponentially if this Backstop
6 Amendment Motion is approved.
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8 **7. PLEASE TAKE FURTHER NOTICE** that these deeply discounted stock sales point
9 to the fact that the formulation of the victims’ shares was never based upon market rates and that the
10 added 2.1% of shares (from 20.9% to 22.19%) in no way makes up for the deliberately misleading
11 valuation formula. Consider that the provision that would limit the backstops to 20% of new equity
12 has been eliminated through this amendment so a great many (perhaps majority) of new “shares
13 would be issued at approximately \$7.50 per share” and that “minimum pricing tiers” have been
14 removed.⁸ These price points offered to other shareholders are less than half the Debtors valuation of
15 victim shares through the plan and associated registration rights agreement. This stock price disparity
16 points very directly to the degree to which this plan is NOT “fair and equitable, with respect to each
17 class” and violates Section 1129(b). No, the victims are NOT a priority for the Debtors when they
18 force us to have stock that they offer to other shareholders at these deep discounts. **This Backstop
19 Amendment Motion essentially guts the value of the victim shares.**
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21 **8. PLEASE TAKE FURTHER NOTICE** that this Backstop Amendment Motion states
22 that “Under the Bankruptcy Code, the decision of the debtor-in-possession to obtain financing
23 commitments is entitled to deference under the business judgement rule.”⁹ This is rather a bold
24 assertion of “deference” when you consider that on the same day this motion will be heard, victims of

25 ⁷ See <https://www.marketwatch.com/story/pges-stock-falls-after-325-billion-equity-investment-announced-to-be-priced-at-a-discount-2020-06-08>, MarketWatch, Published June 8, 2020
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27 ⁸ See “DEBTORS’ MOTION FOR ENTRY OF AN ORDER (I) APPROVING TERMS OF, AND DEBTORS’ ENTRY INTO
28 AND PERFORMANCE UNDER, AMENDED EQUITY BACKSTOP COMMITMENT DOCUMENTS AND (II)
AUTHORIZING INCURRENCE, PAYMENT AND ALLOWANCE OF RELATED PREMIUMS AS ADMINISTRATIVE
EXPENSE CLAIMS” page 7, (lines 15-16)

⁹ *Id.* page 8, (lines 27-28), page 9 (line 1)

1 the PG&E Camp Fire are due to testify against these same Debtors for the 85 counts of manslaughter.
2 Moreover, this deference request from the Debtors must be seen in light of their continued efforts to
3 push this “comprehensive equity raise strategy” on the backs of ratepayers. The City and County of
4 San Francisco on June 4, 2020 filed the “*PROTEST OF THE CITY AND COUNTY OF SAN*
5 *FRANCISCO TO THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR (1)*
6 *ADMINISTRATION OF STRESS TEST METHODOLOGY AND (2) DETERMINATION THAT \$7.5*
7 *BILLION OF 2017 CATASTROPHIC WILDFIRE COSTS AND EXPENSES ARE STRESS TEST*
8 *COSTS THAT MAY BE FINANCED THROUGH ISSUANCE OF RECOVERY BONDS PURSUANT*
9 *TO 451.2(C) AND SECTION 850 ET SEQ.*” at the California Public Utilities Commission (“CPUC”) which speaks directly to this point.¹⁰ Mr. Herrera the City Attorney stated that “PG&E’s
10 securitization plan is a financial house of cards” and that “PG&E’s proposal would shift all the risks
11 to ratepayers”.¹¹ Given that victims are also ratepayers, this shift of risk is exponential true for
12 victim claimants and should be considered by this court as one more way that the Debtors do not
13 deserve deference to the Business Judgement Rule but instead deserve added scrutiny which has been
14 largely avoided to date in this proceeding. The Debtors’ continued efforts to subvert AB1054 and
15 many other state laws shows how this plan is designed with the sole purpose to serve the interests of
16 entrenched investors to the detriment of other classes of claimants and the public. Will this protest
17 and others filed before the CPUC push this \$7.5B to be financed by more backstop parties? This
18 court needs to consider these implications that go to the heart of the unfairness and inequity
19 associated with this plan.
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26 ¹⁰ See Exhibit A: “*PROTEST OF THE CITY AND COUNTY OF SAN FRANCISCO TO THE APPLICATION OF*
27 *PACIFIC GAS AND ELECTRIC COMPANY FOR (1) ADMINISTRATION OF STRESS TEST METHODOLOGY AND (2)*
28 *DETERMINATION THAT \$7.5 BILLION OF 2017 CATASTROPHIC WILDFIRE COSTS AND EXPENSES ARE STRESS*
TEST COSTS THAT MAY BE FINANCED THROUGH ISSUANCE OF RECOVERY BONDS PURSUANT TO 451.2(C)
AND SECTION 850 ET SEQ.”, filed June 4, 2020 with the California Public Utilities Commission.

¹¹ See Bay City News “SF City Attorney Files Legal Protest Against PG&E Plan”,
<https://www.nbcbayarea.com/news/local/san-francisco/sf-city-attorney-files-legal-protest-against-pge-plan/2308867/>

CONCLUSION

9. The Debtors have not adequately described how these backstop commitments will be leveraged but the Backstop Amendment Motion clearly demonstrates a myriad of unjust outcomes for victims. Given the fact that this backstop agreement and the registration rights agreement were brought into the light of day after the victim vote should mean that the Debtors and the TCC should have an extra burden of proof regarding their compliance with Bankruptcy Law. Despite this high-bar and even with the Debtors' undeserved deference to the business judgement rule, the Backstop Amendment Motion as drafted and when viewed through the lens of the registration rights agreement is manifestly unjust and violates Section 1129(a)(8) and Section 1129(b) of the United States Bankruptcy Code. This motion does not amend the backstop agreement but rather guts the agreement and turns the backstops into primary financing vehicles for this plan. This strategic maneuver by the Debtors and the TCC is designed to avoid the courts' scrutiny and will directly undermine the value of the victim shares. The fact that the registration rights agreement was filed by the Debtors and the TCC [Dkt. 7913] and then immediately approved by the court [Dkt. 7918] to avoid filed objections is very disconcerting. Given the lack of due process on that critical agreement, I urge the court to consider that these amendments to the backstop agreement must be amended further to address the issues raised above or denied in their entirety so that recovery for victims will not be a complete loss.

Dated: June 15, 2020

Respectfully submitted,



William B. Abrams

Pro Se Claimant